DIRECTIVE 13-1

Supersedes Directive 11-2

July 1, 2013

Real Property Tax Credit and Tax Statements for 2013 and 2014

Purpose. This directive advises county assessors and treasurers of their responsibilities for implementing the Property Tax Credit Act (Act), Neb. Rev. Stat. §§ 77-4209 through 77-4212. This Act provides a real property tax credit (credit) based on the valuation of each parcel of real property compared to the valuation of all real property in the state. This Act has been funded for two additional years (LB 195). The total amount of the credit available for statewide distribution is $115 million for years 2013 and 2014.

Procedure and Implementation. The credit must be computed and displayed on the tax list of the county as prepared by the county assessor or county clerk, pursuant to § 77-1613 and § 77-1615. The credit amount must be displayed on the tax statement as a credit, as provided by § 77-4212(1). Tax statements are required to display the amount of taxes levied by each political subdivision for the current year and for the immediate past year on the same parcel, pursuant to § 77-1704.01(1). **The credit cannot be netted against the taxes levied**, but must be shown as a credit to the taxes levied on the tax statement, similar to homestead exemption tax loss amounts in § 77-3509.03.

The credit is applicable to all taxable real property parcels.

- If the real property owner qualifies for a homestead exemption, the homestead owner also qualifies for the credit to the extent of any remaining liability after applying the homestead exemption.

- The credit is applicable to the total value of a real property parcel that is part of a community redevelopment project (TIF) which includes both the base and excess valuations.

- The credit is applicable to the real property portion of centrally assessed railroads and public service entities. For centrally assessed companies recorded on the tax list by individual taxing subdivision, the credit is determined by the county's total real property value for each company (for example, each railroad branch line or each public service entity). The total credit is then apportioned to the respective individual taxing subdivisions based upon the company's real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company. If a centrally assessed company's value is 100% personal property, no credit will be received.

- The credit is applicable to the real property value as adjusted by any tax list correction made to the tax list for years 2013 and 2014.

- The credit **is not applicable** to real property parcels acquired by the Nebraska Game and Parks Commission for wildlife habitat and subject to the in lieu of tax, pursuant to § 37-335.

The Property Tax Administrator, county assessor, and county treasurer must take the following five steps to properly administer the credit. Note: the valuation amounts used in these examples do not reflect actual certified numbers.

Step 1 – County's Share of Credit. By September 15, the Property Tax Administrator must determine the credit amount to be disbursed to each county. The amount disbursed to the counties is equal to the amount available for disbursement -- $115 million in years 2013 and 2014, multiplied by the ratio of the total real property valuation in the county to the total real property valuation in the state eligible for the credit. The Property Tax Administrator certifies the credit amounts to the State Treasurer and the county on or before September 15. The disbursements to the counties occur in two equal payments: the first, on or before January 31; and the second, on or before April 1 of years 2014 and 2015, respectively.

The credit amount to be disbursed to each county is calculated below.

Example 1

State's total real property value	$143 billion
County's total real property value	1.6 billion
Amount available for disbursement	115 million

County's real property value as a percent
of the state's total real property value

$1.6 billion divided by $143 billion = .01118881

County's share of credit

$115 million multiplied by .01118881 = **$1,286,713**

Step 2 – Credit per Parcel Calculation. The county treasurer will then determine the amount of credit for each parcel in the county based on the ratio of the valuation of the real property parcel to the total real property valuation in the county. For ease of administration, the credit for each real property parcel may be determined by using the state's uniform "rate of credit" as determined by the Property Tax Administrator. For example, for year 2013, the rate of credit is calculated by taking $115 million divided by the total real property value in the state eligible for the credit.

Example 1A

Real property parcel's value	$100,000
County's total real property value	1.6 billion

Real property parcel's value as a percent of the county's total real property value

$100,000 divided by $1.6 billion = .0000625

Real property parcel's share of the county's credit

$1,286,713 multiplied by .0000625 = **$80.42**

An alternative calculation for the "rate of credit" for each parcel in the county or the state is below.

Example 1B

County's rate of credit

County's share of credit is $1,286,713
Divide it by the county's total real property value of $1.6 billion = **.0008042**

State's rate of credit

State's credit is $115 million.
Divide it by the state's total real property value of $143 billion = **.0008042**

This is a $80.42 credit per 100,000 dollars of value.

Step 3 – Homestead Exemption. If the real property owner qualifies for a homestead exemption under §§ 77-3501 to 77-3529, the homestead owner also qualifies for the credit to the extent of any remaining liability after the homestead exemption is applied. **If the credit results in a property tax liability on the homestead that is less than zero, the amount of the credit which cannot be used by the taxpayer must be returned by the county treasurer to the State Treasurer by July 1 of the year the credit amount was disbursed to the county.**

Step 4 – Disbursements. The credit disbursements to the counties occur in two equal payments: the first, on or before January 31; and the second, on or before April 1 of years 2014 and 2015, respectively. After retaining one percent of the credit for costs, the county treasurer allocates the remaining credit to each taxing unit that levies taxes on taxable property in the tax district where the real property is located. This allocation is done in the same proportion that the levy of each taxing unit bears to the total levy on taxable property of all the taxing units in the tax district where the real property is located, § 77-4212(4).

Step 5 – Tax List Corrections. For tax list corrections that occur on or before July 1, the county treasurer should use the unused credit amount to cover those corrections. The amount returned to the State will be the amount shown on the tax lists as unused credit, plus or minus the corrections on or before July 1.

After July 1, if additional tax list corrections occur resulting in a need for additional credit amounts for that tax year, the county treasurer may file a claim form, along with supporting documentation, with the Risk Management State Claims Board.

See Attachment I for examples of tax due and credit computations.

APPROVED:

/s

Ruth A. Sorensen
Property Tax Administrator
July 1, 2013

APPROVED:

/s

Douglas A. Ewald
Tax Commissioner
July 1, 2013

Attachment I – Directive 13-1 Examples of tax due and credit computations

Homestead Exemptions

Homestead Example 1. If the parcel's remaining tax due after the homestead exemption is equal to or greater than the credit, the parcel gets all of the credit.

Taxable value before homestead exemption	$75,000
Homestead value exempted	70,000
Taxable value after homestead exemption	5,000
Tax rate	1.95% or .0195

Tax due prior to homestead	$1,462.50	(75,000 x .0195)
Tax exempt due to homestead	$1,365.00	(70,000 x .0195)
Tax due after homestead	$ 97.50	(5,000 x .0195)
Credit	$ 60.32	(75,000 x .0008042 rate of credit)
Remaining tax due	$ **37.18**	

Homestead Example 2. If the credit is larger than the parcel's remaining tax due after the homestead exemption, the parcel only receives the portion of the credit that brings its tax bill to zero.

The "unused" portion of the credit is returned to the State Treasurer.

Taxable value before homestead exemption	$75,000
Homestead value exempted	74,000
Taxable value after homestead exemption	1,000
Tax rate	1.95% or .0195

Tax due prior to homestead	$1,462.50	(75,000 x .0195)
Tax exempt due to homestead	$1,443.00	(74,000 x .0195)
Tax due after homestead	$ 19.50	(1,000 x .0195)
Credit	$ 60.32	(75,000 x .0008042 rate of credit)
Credit used to reduce tax due to 0	$ 19.50	(lesser of 19.50 or 60.32)
Remaining tax due	$ 0.00	(19.50 minus 19.50)
"Unused" credit to State Treasurer	**$ 40.82**	(60.32 minus 19.50)

Tax Increment Financing (TIF)

TIF Example 1.

TIF parcel's base value	$5,000
TIF parcel's excess value	70,000
TIF parcel's total value	75,000
Tax rate	1.95% or .0195

Tax due on total value	$1,462.50	(75,000 x .0195)
Credit for total value	$ 60.32	(75,000 x .0008042 rate of credit)
Remaining tax due for parcel	$1,402.18	(1,462.50 minus 60.32)

Allocation of TIF taxes for base and excess.

Tax due allocated to base value	$97.50	(5,000 x .0195)
Credit allocated to base value	$ 4.02	(5,000 x .0008042 rate of credit)
Remaining tax due on base value	$93.48	

Tax due allocated to excess value	$1,365.00	(70,000 x .0195)
Credit allocated to excess value	$ 56.30	(70,000 x .0008042 rate of credit)
Remaining tax due on excess value	$1,308.70	(1,365.00 minus 56.30)

TIF Example 2. TIF parcel with a homestead exemption and the credit.

If a real property parcel in a redevelopment project is granted a homestead exemption, the homestead exempt value applies to the base value first, and any remaining homestead exempt value applies to the excess value. The division of the homestead tax loss reimbursement must be proportionate to the homestead exempt value determined for the base value and excess value (pursuant to Title 350 Nebraska Administrative Code Chapter 18, REG-18-003.03C).

TIF parcel's base value	$ 5,000
TIF parcel's excess value	70,000
TIF parcel's total value	75,000
Homestead exempt value	74,000
TIF parcel's taxable value after homestead	1,000

Homestead exempt value allocated to base	5,000
Homestead exempt value allocated to excess	69,000
Tax rate	1.95% or .0195

Tax due prior to homestead	$1,462.50 (75,000 x .0195)
Tax exempt due to homestead	$1,443.00 (74,000 x .0195)
Tax due after homestead	$ 19.50 (1,000 x .0195)
Credit	$ 60.32 (75,000 x .0008042 rate of credit)
Credit used to reduce tax to 0	$ 19.50 (lesser of 19.50 or 60.32)
Tax due after homestead & credit	$ 0.00 (19.50 minus 19.50)
"Unused" credit to State Treasurer	**$ 40.82** (60.32 minus 19.50)

Allocation of TIF taxes for base and excess.

Tax due allocated to base value	$ 97.50 (5,000 x .0195)
Homestead tax exempt allocated to base	$ 97.50 (5,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to base	$ 0
Credit allocated to base value	$ 4.02 (5,000 x .0008042 rate of credit)
"Unused" credit to State Treasurer	**$ 4.02**

Tax due allocated to excess value	$1,365.00 (70,000 x .0195)
Homestead tax exempt allocated to excess	$1,345.50 (69,000 of 74,000 exempt value x .0195)
Remaining tax due allocated to excess	$ 19.50
Credit allocated to excess value	$ 56.30 (70,000 x .0008042 rate of credit)
Credit used to reduce tax due to 0	$ 19.50 (lesser of 19.50 or 56.30)
"Unused" credit to State Treasurer	**$ 36.80** (56.30 minus 19.50)

Total "unused" credit to State Treasurer $4.02 + $36.80 = $40.82

Railroads and Public Service Entities

Counties use one of two methods to record the centrally assessed property on the tax list, either by "individual taxing subdivision" or by "consolidated tax district."

Centrally Assessed Example 1. Credit for centrally assessed property recorded on the tax list by "individual taxing subdivision."

First, the "county taxing subdivision's real property value" for the respective railroad branch line or public service entity is determined. This is the real property value eligible for the credit. Then, multiply this countywide value for the company (for example, the railroad branch line or public service entity) by the state's rate of credit to determine the total credit. The total credit is then apportioned to the respective individual taxing subdivisions based upon the company's real property taxes levied computed for each subdivision compared to the total real property taxes levied for the company.

A centrally assessed company's values are certified to the county by the state below.

Subdivision	Total Value	Real Value	Personal Value
County	$11,530,984	**$9,431,100**	$2,099,884
School Dist. 1	8,593,054	7,322,632	1,630,422
School Dist. 2	2,577,930	2,108,468	469,462
Fire Dist. 1	8,593,054	7,322,632	1,630,422
Fire Dist. 2	2,577,930	2,108,468	469,462
City	347,469	284,192	63,277
Natural Resc. Dist.	11,530,984	9,431,100	2,099,884
Educ. Service Unit	11,530,984	9,431,100	2,099,884
Community College	11,530,984	9,431,100	2,099,884
Ag Society	11,530,984	9,431,100	2,099,884

Determine the taxes levied for the real property portion of the centrally assessed company and the percentage each subdivision is to the total real property taxes.

Subdivision	Real Property Value	Tax Rate per $100 of Value	Real Prop Taxes by Subdivision	Subdiv. Real Prop Tax % of Total Real Prop Tax
County	$9,431,100	.340	$32,065.74	24.1497%
School Dist. 1	7,322,632	.900	65,903.69	49.6340%
School Dist. 2	2,108,468	1.05	22,138.91	16.6735%
Fire Dist. 1	7,322,632	.035	2,562.92	1.9302%
Fire Dist. 2	2,108,468	.025	527.12	.3970%
City	284,192	.285	809.95	.6100%
Natural Resc. Dist.	9,431,100	.023	2,169.15	1.6337%
Educ. Service Unit	9,431,100	.015	1,414.67	1.0654%
Community College	9,431,100	.050	4,715.55	3.5514%
Ag Society	9,431,100	.005	471.56	.3551%
Total Real Prop. Taxes			$132,779.26	100.00%

Company's real property value $9,431,100 x .0008042 rate of credit = $7,584.49, company's total credit for the county.

The company's total credit is then apportioned to each individual taxing subdivision based upon the company's real property taxes levied by each subdivision compared to the total real property taxes levied for the company.

Subdivision	Subdiv. Real Prop Tax % of Total Real Prop Tax	Credit Apportioned to Each Subdivision
County	24.1497%	$1,831.62
School Dist. 1	49.6340%	3,764.48
School Dist. 2	16.6735%	1,264.60
Fire Dist. 1	1.9302%	146.40
Fire Dist. 2	.3970%	30.11
City	.6100%	46.27
Natural Resc. Dist.	1.6337%	123.91
Educ. Service Unit	1.0654%	80.81
Community College	3.5514%	269.36
Ag Society	.3551%	26.93
Total Credit	100.00%	**$7,584.49**

Centrally Assessed Example 2. Credit for centrally assessed property recorded on the tax list by "consolidated taxing district."

Consolidated	Total Value	Real Value	Personal Value
Tax District 1	$8,593,054	$7,322,632	$1,630,422
Tax District 2	2,577,930	2,108,468	469,462
Total Taxable Value	11,530,984	9,431,100	2,099,884

Tax District 1 Real property value	7,322,632	x .0008042 rate of credit	= $ 5,888.86
Tax District 2 Real property value	2,108,468	x .0008042 rate of credit	= $ 1,695.63
Company's total credit			= $ 7,584.49

Reminder: if a centrally assessed company's value is 100% personal property, with no real property, no credit will be received.

Accelerated Tax on Real Property Parcels (Mobile Homes)

Example 1. Mobile home is sold and the acceleration of tax is done in August, 2013.
This scenario involves a mobile home with a 2013 value with the 2013 taxes accelerated or calculated at the 2012 tax rate. **The purpose of the Act is to provide property tax relief for property taxes levied against real property for tax years 2013 and 2014.** Here, the 2013 accelerated real property taxes were collected prior to the certification of the rate of credit on September 15. If the owner of the mobile home desires to receive the 2013 credit for the accelerated 2013 taxes paid, a written claim must be made to the county treasurer, within two years from the date the tax was due, requesting a refund pursuant to § 77-1734.01.

Example 2. Mobile home is sold and the acceleration of tax is done in February, 2014.
In this scenario, the mobile home is listed on the 2013 tax list and the 2013 credit should already be reflected for the 2013 taxes due. In February of 2014, this mobile home has a 2014 assessed value with the 2014 taxes being accelerated or calculated at the 2013 tax rate. The 2014 rate of credit will not be determined until September 15, 2014; therefore, a 2014 credit amount cannot be calculated as of February. However, the taxpayer may be informed that after September 15, 2014, a written claim may be made to the county treasurer, within two years from the date the tax was due, requesting a refund pursuant to § 77-1734.01.

Example 3. Mobile home is sold and the acceleration of tax is done in February, 2015.
In this scenario, the mobile home is listed on the 2014 tax list and the 2014 credit should already be reflected for the 2014 taxes due. In February of 2015, this mobile home has a 2015 assessed value with the 2015 taxes being accelerated or calculated at the 2014 tax rate. The Act is for property taxes levied against real property for years 2013 and 2014. The 2015 accelerated taxes are not eligible for a credit unless legislative changes are enacted to extend the credit to other tax years.